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INTELLIGENCE MEMORANDUM NO. 59

20 September 1948

SUBJECT: CIA Answers to Selected Questions for the Intelligence Briefing  
by the Intelligence Divisions of the Armed Services

A. Russian Military Services

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7. Besides the existence of an overall high-grade gasoline deficiency in the USSR, recent Soviet activities indicate that a severe shortage of gasoline has developed in the Far Eastern Sector to threaten the essential needs of aviation and other internal combustion engines. Never self-sufficient in crude oil production and refinery capacity because of climatic, technological, and equipment factors, deficits in fuel supply of the Far East were partly covered by tanker shipments from the Black Sea to Vladivostok and imports of refined products from Pacific ports of the United States. However, the return of US lend-lease tankers has created a serious shortage of tankers necessary for the transport of petroleum products to the Far East. Tanker shipments from the Black Sea are continuing. To alleviate this problem of distribution, the Soviets have been negotiating for the construction of Italian tankers, have completed negotiations with Denmark and Netherlands for the construction of several tankers, and have proposed to an American company that US tankers deliver fuel oil at Vladivostok in exchange for the supplying of fuel oil to American ships in the Black Sea. Furthermore, in order to conserve fuel oil, the USSR has converted some Soviet merchant ships in the Far East from oil to coal burners.

In addition to the tanker shortage, the availability of refined products in the Far East has been further handicapped by the discontinuance of shipments of American refined products such as high-octane gasoline and special blending agents. The Soviets have approached this problem by making every effort to expand crude oil and refinery production in the Far East. This is evidenced by (1) new American oil drilling and pipeline equipment in the Sakhalin Field, (2) influx of Soviet oil workers and engineers into the Far East, and (3) a project undertaken by the Dalstroi for the construction of oil refineries in Khabarovsk, Komsomolsk, and Sovetskaya Gavan.

8. See #8 k under "General Questions" below.

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NOTE: Numbers of questions are those used in questionnaire submitted to CIA ~~XXXXXXXXXX~~ on 13 September. Question #7 beginning with "in this connection...." only.

DOCUMENT NO. 1  
NO CHANGE IN CLASS. ☐  
☒ DECLASSIFIED  
CLASS. CHANGED TO: T3 S C  
NEXT REVIEW DATE: 14/10/77  
AUTH: HR 70-2  
DATE: 14/10/77 REVIEWER:

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10. The best estimate of the shipbuilding capacity of Russia and her satellites for merchant vessels, combat ships other than submarines, and submarines as given in Tables "A", "B", and "C", respectively:

TABLE A

Merchant Shipbuilding USSR and Satellites

	: ESTIMATED CAPACITY	: ESTIMATED RATE OF PRODUCTION
	: GROSS TONS PER YEAR	: GROSS TONS PER YEAR
USSR	: 80,000	: Unknown
FINLAND	: None	: None
YUGOSLAVIA	: 10,000	: None
POLAND	: 75,000	: Negligible
RUMANIA	: (small vessels only,	: barges, canal craft, etc.)
BULGARIA	: (small vessels only,	: barges, canal craft, etc.)
LATVIA	: None	: None
ESTONIA	: None	: None

NOTE: The state of obsolescence of the USSR merchant fleet makes it extremely unlikely that new shipbuilding can do more than replace discarded vessels in the next decade. Rate of production cannot be estimated because it depends upon availability of material, technical workers, etc., and on the importance which the Soviets may attach to seagoing commerce. Finland and Poland have potentials of some importance, but are engaged largely in building small vessels for reparations, generally fishing vessels.

By enlarging and encouraging shipbuilding in all satellite countries USSR could make available a large shipbuilding potential in a few years, but there is no indication at present that other projects will be sacrificed for the sake of merchant shipping.

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As per [REDACTED] request, the Office of Naval Intelligence answers to questions 10, 11, and 12 are included herein.

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TABLE B

Combat Ships other than Submarines

TYPE	:DATE OF	:RATES OF DELIVERY (NO. OF VESSELS PER Y						
	:FIRST	:1950	:1952	:1954	:1956	:1958	:1960	
	:DELIVERIES:							
Fast Escorts	1951	0	10	20	30	35	45	
Large Destroyers	1952	0	5	10	20	25	35	
Heavy Amphibious Support								
Monitors	1955	0	0	0	1	1	2	
Light Cruisers	1955	0	0	0	2	4	4	
Heavy Cruisers	1955	0	0	0	1	2	4	
Escort Aircraft Carriers	1957	0	0	0	0	6	8	
Light Aircraft Carriers	1957	0	0	0	0	1	4	
Aircraft Carriers	1958	0	0	0	0	1	2	

TABLE C

Submarines

Coastal Defense Submarines	1950	5	20	40	55	70	80
Large Fast Submarines	1953	0	0	20	60	85	100

NOTE 1: At the present time, USSR shipyards and supporting industries are still not rehabilitated to the degree that would permit full production. This probably will not occur until 1952-53. During the interim period the Soviets are expected to concentrate on the planning and erection of specialized yards and industrial establishments, capable of the rapid mass production of standardized warships, on the completion of partly built naval vessels, and on refitting and modernizing vessels in service. Interim construction between now and 1954 is expected to add the following to the USSR fleet, from the existing stock of incompletd vessels and by re-fitting acquisitions from abroad:

Battleships	1
Heavy Cruisers	10
Light Cruisers	1
Destroyers	27
Submarines	145
Fast Escorts	15

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Of these, the following may be commissioned 1948-49:

Battleships	0
Heavy Cruisers	1
Light Cruisers	1
Destroyers	5
Submarines	39
Fast Escorts	6

These vessels are in addition to those listed in Tables "A", "B" and "C" above.

NOTE 2: Tables "B" and "C" are derived from a detailed strength trend analysis of the USSR Fleet, based on evaluated available information and observed trends, taking into account Russian naval construction performance in the past, Russian shipbuilding and related industries, availability and distribution of raw materials, confirmed and indicated new construction on hand, the orientation of the Soviet shipbuilding industry towards mass production, and German technical assistance.

The estimates of future USSR warship production and naval strength are based on the above and on the following assumptions:

- (1) That the USSR will expand its navy as rapidly as circumstances permit.
- (2) That first priority will be given those types which will contribute most to the maritime defense of Soviet or Soviet-controlled territories (defensively with numerous light surface types backed by a core of heavier units, and offensively with a strong submarine arm).
- (3) That after satisfying the requirements of (2), offensive high seas forces will be developed, and will become effective some time after 1960.
- (4) That pre-fabrication and mass production techniques on a vast scale will be employed in the future construction of surface vessels and submarines, making optimum use of standardized ships design, ordnance, machinery, equipment, and specialized ship yards.

The USSR shipyards, augmented by Soviet-controlled establishments in the satellite countries and Russian-occupied zones, are capable of producing and maintaining a numerically large force of coastal defense and inland water units, ranging from PT boats and mine warfare types to District Patrol Craft.

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Shipyards in the Russian-occupied zones of Germany are being exploited to assist in the refitting program and to produce small craft and some naval auxiliaries.

OPERATIONAL RADII OF RUSSIAN SUBMARINES

CLASS	ENDURANCE	
	NAUTICAL MILES	MOST ECONOMICAL SPEED
TYPE XXI (Ex-German)	7,750	10.0 knots
"K" (Russian built)	7,750	9.0 knots
TYPE IX-C (Ex-German)	6,375	10.0 knots
"L-2" (Russian built)	5,000 (est.)	10.0 knots (est.)
"S" (Russian built)	4,900	10.4 knots
TYPE VII-C (Ex-German)	4,850	10.0 knots
"SHCH" (Russian built)	1,825*	7.3 knots
"M" (Russian built)	995*	8.6 knots
TYPE XXIII (Ex-German)	2,150	6.0 knots
TYPE II (Ex-German)	2,000	6.0 knots

\* May be greater

NOTE: The "P" and L-1 classes are not included as they will no longer be employed other than in coastal defense because of age and condition. The same applies to a handful of boats acquired from Finland, Rumania, and Estonia. The few Polish submarines are inoperable. The 3 ex-British submarines are excluded as they are due to return to the UK, and the 2 ex-Italian units have yet to be delivered in exchange, and will not become immediately available upon surrender for Russian service until refitted for that employment.

12.

USSR VESSELS

PRINCIPAL COMBATANT TYPES

No.	TYPE	AGE	EFFECTIVENESS
3	Battleships	Old	Usefulness limited to coastal bombardment and training
1	Monitor	Old	Usefulness limited to coastal bombardment and training
6	Heavy Cruisers	New	Modern powerfully armed vessels which with adequate equipment and proper handling, would prove formidable opponents to US vessels
2	Light Cruisers	New	Modern powerfully armed vessels which with adequate equipment and proper handling, would prove formidable opponents to US vessels.

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USSR VESSELS

<u>NO.</u>	<u>TYPE</u>	<u>AGE</u>
3	Cruisers	Old
47	Destroyers	Fairly New to Old
46	Fast Escorts	New to Old
280	Submarines	New to Old

PRINCIPAL COMBATANT TYPES

EFFECTIVENESS

Usefulness limited to coastal bombardment and training

Of prewar design

Generally limited to coastal convoy defense missions.

Mostly of prewar design, but fairly recent construction, and with adequate equipment and proper handling could pose a serious threat along the maritime approach to the USSR, and would be capable of harassing action off US coasts.

A numerically large force of mine warfare, coastal warfare, and harbor defense units, which compare favorably with equivalent German forces of World War II are also available to the USSR.

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B. General Questions.

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1. The wartime productive ability of the USSR is below that of 1940. While her industrial and agricultural capacity is somewhat advanced over the 1945 level, deficiencies continue primarily in certain key fields--transportation, skilled manpower, high-grade gasoline and lubricants, special types of machine tools, some precision equipment, industrial diamonds, certain ferro-alloys, tungsten, rubber, coking coal and certain types of finished steel. Stocks of most vital commodities are below the prewar level.

Despite these deficiencies there is no doubt that the Soviet Union would be able to mobilize its economy for a major war. The extreme flexibility of the Soviet war economy, as evidenced in World War II, in the short run would permit the necessary adjustments to overcome most of the above weaknesses.

It is estimated that Soviet production of steel (except certain types of finished steel) and petroleum (except high-grade gasoline and lubricants) is sufficient for the requirements of a war economy. In addition, supplementary supplies of these and other strategic materials are available in the Satellite and occupied countries, as follows:

a. Antimony from Yugoslavia, Czechoslovakia, and Hungary. While the Soviets are deficient in antimony, the three satellites can provide sufficient supplies for her needs.

b. Bauxite from Hungary, Yugoslavia, and Austria. Hungary has great deposits of high-grade bauxite that will provide for any Soviet needs.

c. Cobalt from Finland. Probably enough available for all needs.

d. Copper from Yugoslavia, Germany, and Finland. Probably enough available to make Soviet deficiency.

e. Graphite from Northern Korea. Mostly amorphous grade but about 10% crystalline.

f. Molybdenum from Manchuria and Rumania. If the Soviets could work the Manchurian mines they would be well supplied.

(1) Second part only, beginning "If Russian war...."

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g. Lead from Yugoslavia, Poland, Germany, and Bulgaria. Production from these countries with secondary lead would about meet the Soviets' need.

h. Tungsten from Northern Korea. Should be sufficient with the tungsten they are obtaining from China.

i. Uranium from Czechoslovakia, Austria, Bulgaria, and Yugoslavia. Probably low-grade ores but they are being worked as fast as possible.

j. Zinc from Yugoslavia, Poland and Bulgaria. Possibly enough to make up any deficit the Soviets have.

k. Mercury from Yugoslavia.

l. Steel and iron products from Czechoslovakia and Polish Silesia. The Soviets are building up the iron and steel industry with the intention of making it the equal of the Ruhr. Control of the Skoda works makes a large addition to the iron and steel potential.

By occupying Sweden and Norway the Soviets would add a large iron and steel industry with modern industrial and military plants, supported by large deposits of high-grade iron ore.

m. Chrome. By conquest the Soviets could obtain the chrome ore of Turkey.

n. Oil. By conquest the Soviets could obtain oil from Iran and Iraq. Article 7 of the Secret Industrial Protocols to the Soviet-Rumanian Mutual Assistance Treaty signed at Moscow on 4 February 1948 provides:

—In the event of war....should the territory of the Rumanian Popular Republic be menaced....all industrial installations working as war industry at a given moment shall be transferred to the Union of Soviet Socialist Republics....

This agreement gives the USSR complete control over all war industries in Rumania. In a broader sense, it is reasonable to assume that similar secret protocols have been signed or will be signed with the other satellite nations, except Finland, and that the Kremlin will be able to direct the production and distribution of practically the entire war industry in Eastern Europe.

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4. The following is the estimate on the status of atomic energy development in the USSR:

- a. The Russians do not have the atomic bomb at the present time.
- b. The earliest date by which the Russians may have exploded their first test bomb is mid-1950; the probable date by which they will have exploded their first test bomb is mid-1953.
- c. It is impossible to estimate the quantity of bombs produced by years because of many unknown factors, but it is estimated that:
  - (1) Based on a mid-1950 test explosion, the greatest possible number of bombs in the Russian stockpile in mid-1955 is about 50.
  - (2) Based on a mid-1953 test explosion, the probable number of bombs in the Russian stockpile is about 20.

The Russian progress in developing--in quantity--the atomic bomb is estimated to be somewhat slower than the comparable US progress during the war. At present, there is a supreme effort being made to produce uranium ore at the maximum possible rate--particularly in the case of ore in areas outside the USSR proper. Also, there is every reason to believe that both research and industry are being mobilized to the maximum extent possible. There has been some indication that the highest Russian authorities were disturbed by the lack of progress being made during the past year.

7. The operations of the Union Pacific Railroad during the peak year of 1945 as compared with the Soviet Trans-Continental Railroad system indicates that the average net load of UP trains (1600 short tons each) is three times that of the Soviet trains (500 short tons each) and that the peak daily loads carried on UP lines are between two and three times greater than the normal capacity of Soviet lines.

The through capacity of the Soviet trans-continental rail system, from the western border of the USSR to the Pacific coast, is limited to the capacity of the Trans-Siberian Railway, the only completed railroad which extends the entire distance across Siberian USSR. The Trans-Siberian is double-tracked throughout, and in addition, the number and frequency of sidings increase its capacity considerably. The normal capacity of the Trans-Siberian is estimated to average 30 trains or 15,000 short tons per day in each direction

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throughout the year. In emergencies it is believed that the capacity of the Trans-Siberian could be raised to 60 trains or 30,000 short tons daily each way. In the fall of 1944 Lend-Lease supplies reportedly were moved westward over the Trans-Siberian at the rate of 48 trains per day. The capacity of the Trans-Siberian is augmented by the existence of single-tracked alternate routes except for the Novosibirsk-Karymskaya (east of Chita) section. Between Moscow and the Urals there are 4 complete alternate lines (mostly single track) each with connecting branches of varying lengths. The capacity of the single-tracked alternate lines is estimated to be between 4,000 and 8,000 short tons per day.

A fairly dense railway network connects the Soviet capital with Poland, Czechoslovakia, Hungary, and Rumania. Because of war damage and the present shortage of steel rails, many sections, formerly double-tracked, are now reduced to single track. The daily capacity of the Moscow-Minsk line is currently believed to approximate 30 trains or 15,000 short tons each way; that of the section from Minsk to Brest 40 trains, or 20,000 short tons. At present only the line from Moscow to Brest via Minsk is known to be double-tracked. Scarcity of postwar observations on these lines between Moscow and the western border makes it impossible to estimate the capacity of each individual line, but in general single-tracked railways in the area can be expected to carry between 4,000 and 8,000 short tons daily each way.

The necessity of transshipment of cargoes and troops from Soviet gauge to standard gauge lines decreases the capacity of the Soviet trans-continental railway system for operations beyond the USSR western border.

The emergency capacity of the Soviet trans-continental system could probably reach over half that of the Union Pacific system.

8. In coal, iron ore, manganese, chrome, platinum, apatite, asbestos, magnesite, mica, potassium salts, the USSR have large reserves and adequate production.

In mercury, nickel, vanadium, barite, fluorspar and graphite there are sufficient reserves and production to meet present requirements.

In antimony, bismuth, beryllium, cobalt, industrial diamonds, quartz crystals, molybdenum, tin, and tungsten the USSR is deficient.

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On particular minerals we have the following estimates:

a. Aluminum:

Production: 1945 - 130,000 M.T.  
1947 - 195,000 M.T. (Incl. Secondary)

Note: It appears aluminum is being stockpiled.

b. Bauxite:

Production: 1944 - 400,000 M.T.  
1948 - 500,000 M.T.

Requirements: 800,000 M.T.

Note: Have the large Hungarian and Yugoslav deposits to draw on. Probably being stockpiled.

c. Copper:

Production: 1945 - 160,000 M.T.  
1947 - 255,000 M.T. (Incl. Secondary)

Requirements: 310,000 (Minimum)

Note: Copper production is not sufficient for requirements and it is probable they will stockpile any that can be spared. They are drawing primary from the Bor Mine in Yugoslavia and Finland, secondary from Germany and Austria.

d. Tin:

Production: 1944 - 7,500 M.T.  
1948 - 8,000 M.T.

Requirements: 20,000 M.T.

Note: Tin is definitely in short supply and the USSR is buying and smuggling from China, Siam, and Malaya.

e. Zinc:

Production: 1943 - 90,000 M.T.  
1948 - 100,000 M.T.

Requirements: 155,000 M.T.

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e. Zinc (continued):

Note: Zinc is in short supply but with surplus production in Poland, Yugoslavia, and Bulgaria, they are probably stockpiling.

f. Lead:

Production: 1943 - 125,000 M.T.  
1948 - 110,000 M.T.

Requirements: 150,000 M.T.

Note: Lead is also in short supply but Yugoslavia, Poland, and Bulgaria can supply primary metal and Germany and the satellite states can supply secondary, so it is probably being stockpiled.

g. Iron and Steel:

Production:

Pig Iron 1948 - 18,000,000 M.T.  
Steel Ingots 1948 - 18,000,000 M.T.  
Rolled Steel 1948 - 13,000,000 M.T.

Note: Production of the above items will approximate 1940 production. Iron ore reserves are plentiful, even considering the low grade of much of the iron ore in the USSR, and therefore not likely to impede production of pig iron, although production methods and transportation are limiting factors. Pig iron output may be hindered somewhat by unavailability of enough good coking coal. Much of the coking coal must be hauled long distances, over 1,000 kilometers, plus the fact that the total quantity of good coking coal is considered just adequate. However, the scrap position of the USSR is unusually good during this period due to warborn scrap, with possible stockpiling indicated. This supply of scrap will more than make up for a possible deficiency in pig iron that might occur. The large amounts of scrap available have resulted in the Soviets increasing the amount of scrap charged into the furnaces to an estimated 40% as compared with the prewar practice of charging 25%. To produce 18 million metric tons of steel with a 40% charge only 11 million metric tons of pig iron will be required. In 1940, 13.7 million metric tons of pig iron were used to produce 18.3 million metric tons of

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steel. Besides the possible shortage of coke, a bottleneck may exist in some types of rolled steel due to lack of balance in facilities for producing certain finished rolled products such as cold rolled steel, sheet steel for tinplate, etc.

Estimated current production of steel in the satellite areas of about 6.5 million metric tons is dependent upon shipments of high grade iron ore from Sweden to Poland and Czechoslovakia. A cessation of these imports would force a reliance on low grade domestic ores and bring a reduction in output. Coke supplies are sufficient to meet all satellite requirements and permit sizeable exports to the Soviet Union.

#### h. Chemicals.

Based on available information, the most limiting of basic chemicals will be chlorine. This material is used in the manufacture of over four hundred chemicals most of which we consider essential to war effort. A few of the essential bulk chemicals which must be available for the manufacture and operation of airplanes are trichlorethylene, acetylene tetrachloride, carbon tetrachloride, chlorinated rubber, polyvinylchloride, ethylene glycol, etc. Some liquid chlorine can be obtained from plants in the Soviet zone for manufacture of chlorinated products in Russian plants but on an overall basis, the tonnage would be small. Based on reports, total Soviet production is less than 200,000 tons of chlorine per year, which is very little to carry on a major effort. Chlorine, as such, cannot be stockpiled in any appreciable quantities, and it requires special tank cars in transportation. Certain specialized chlorinated products might be stocked, but we doubt this due to the corrosing waters, the products and the large volumes necessary. Chlorinated solvents, etc., such as those listed above, cannot be stocked in large quantities. They are highly volatile, and require exceptionally tight steel storage tanks. More, the satellites cannot supply any appreciable quantity of these materials.

Few chemicals can or will be stockpiled. The number of chemicals required is enormous. The volume and tonnage will be large. Special storage tanks, covered storage, and steel containers will be required. Production capacity will have to be available or installed to meet current needs.

#### i. Rubber.

USSR purchases of natural rubber, greatly in excess of estimated normal requirements, are believed to be contributing toward

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a program for stockpiling critical and strategic materials. Rubber stockpiles, which had fallen below 27,000 tons by 1945, at present are estimated to have grown to over 100,000 tons.

Fragmentary reports indicate that actual rubber shipments in the first eight months of 1948, mainly from Malaya, amount to over 90,000 tons, and total imports of natural rubber in 1948 may reach as high as 130,000-150,000 tons. Purchases of Malayan rubber are aided by provisions of UK-USSR Trade Agreement, December 1947, whereby UK agreed to aid USSR in securing certain commodities, including rubber. A similar agreement was signed with the Netherlands in July 1948, and USSR now is attempting to negotiate an agreement with Siam which would allow her to import from 2,000-3,000 tons of rubber per month.

While imports of rubber may be intended, in some degree, to aid industries of Soviet Zone, Germany, and satellites, USSR normal natural rubber requirements are estimated at around 30,000 tons per annum (assuming a synthetic rubber production not more than 150,000 tons) and it is believed that majority of 1948 imports will go toward building up Soviet rubber stockpiles.

i. Coal.

The coal output of some 200 million metric tons by the end of 1948 will meet USSR requirements. The eventual elimination of such retarding factors as inadequate equipment, poor maintenance, and insufficient transportation, will steadily improve the annual rate of production. The maximum prewar level of production of 166 million metric tons has been surpassed by means of restoring war-damaged fields, development of new fields, and continuing increase in the rate of production. The chief factor that would hinder Soviet war efforts would be the local shortages of coal that might occur because of difficulties of transporting coal from surplus to deficit areas.

A surplus coal production in the satellite area is expected to total 26 million metric tons. This will be sufficient to meet deficit Soviet coal requirements should their indigenous coal production fail to reach the scheduled goal.

No direct information is available on Soviet stockpiles of coal but there is little doubt that some strategic coal stockpiling is contemplated. In the plan of 1950, the output of coal is set at 250 million metric tons and consumption is planned to be only 238.5 million metric tons. Therefore, a residue of 11.5 million metric tons of coal could be used for strategic stockpiling.

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C. Political Questions.

1. The Moscow-Tito rift brought to the surface the basic conflict between satellite nationalism and the Kremlin's insistence on subordinating national policy to that of the USSR. In re-evaluating the strategic position of the USSR in Eastern Europe, it should be kept in mind that the Kremlin's long-range plans must be directed toward the eradication of all nationalistic tendencies in the satellites, in order to bring about complete Soviet control. Soviet leaders, however, may be faced with the temporary necessity of partially acceding to the nationalistic aspirations of the satellite peoples.

The rupture between Soviet leaders and Tito appears to be permanent. The Kremlin will undoubtedly continue to increase, by all available means, its efforts to undermine Tito's control and influence in Yugoslavia. Because of Tito's tight grip on the people, combined with Yugoslavia's strategic position, Moscow's efforts, short of invasion, are likely to prove unsuccessful at least for the present. The Kremlin-Tito rupture can, therefore, be expected to widen unless Moscow decides to accede to some of Tito's terms. At this time such a compromise appears unlikely. It would be interpreted by other satellites and the West as a weakening of Soviet control and would encourage further nationalist deviations. At the same time it is apparent that Tito realizes that a compromise with Moscow is tantamount to political suicide.

Moscow's inability to take decisive measures to bring Tito in line cannot be interpreted as foreshadowing a breakdown in the Politburo's control over the USSR or the other satellites. The Tito regime is in an unique position to challenge the Kremlin. Yugoslavia is geographically isolated from immediate USSR borders. Tito's clique exercises complete control over the Yugoslav Communist party as well as the army and security forces. Soviet control over the other satellite countries, however, is more absolute. Thus Moscow-imposed leadership generally remains loyal. The proximity of the other satellites to the USSR borders, together with the presence of Soviet troops and agents, renders the spread of Tito's policies unlikely.

2. The Soviet Union's grip on Czechoslovakia is virtually complete. The Kremlin's policies are being carried out effectively in the political, economic, military and cultural phases of the country's life. Although popular hostility to the Communist regime has been intensified since the February coup, this presents no threat to Moscow's hold on the country because the police can be counted upon to serve the Communist dominated government loyally and assure its security.

The expansion of Soviet political and economic control has brought about a significant change in the pattern of Czechoslovak foreign trade. Since the signing of a series of trade agreements by Czechoslovakia within

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the Soviet orbit, late in 1947, there has been a marked increase in Czechoslovak trade with the USSR and her satellites and a general decline in the percentage of shipments to Western Europe.

Trade figures for the first quarter of 1948 indicate that approximately 15 percent of Czechoslovak exports moved to the Soviet Union and 25 percent were delivered to the satellites — a total of 40 percent within the Eastern European bloc. In 1938 and in 1946 the total percentage of exports to this area was less than 25 percent. Soviet imports of Czechoslovakia's products before the war were less than 3 percent.

The actual dollar volume increase in exports to the Soviet orbit is even more significant, having risen from 74 million in 1938 to an annual rate of 200 million based on the first quarter of 1948. Foremost among the exports are: Iron and steel products, coke, machinery, trucks, tractors, shoes, textiles and glass products.

Since 1946 Western Europe's share of Czechoslovakia's exports has been declining and Switzerland's share, in particular, dropped from approximately 15 percent of total Czechoslovakia's exports in 1946 to about 6 percent in the first quarter of 1948.

3. It is doubtful whether other Balkan satellites would be able to follow Tito's example, so long as the Kremlin maintains its present rigid control through the Communist Parties, military and security forces. The Tito regime is in an unique position to challenge Moscow. Yugoslavia is geographically isolated from immediate USSR borders, and Tito's clique exercises complete control over the Yugoslav army and security forces. Soviet control over the other satellite countries, however, is more absolute and Moscow-imposed leadership generally remains loyal. The proximity of the other satellites to the USSR borders, together with the presence of Soviet troops and agents, renders the spread of Tito's action unlikely.

4. There have been no reports of public or confidential statements by members of the Politburo which would indicate any intention on the part of the Soviet Union to precipitate a war.

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28 September 1948

MEMORANDUM FOR THE SECRETARY OF DEFENSE

SUBJECT: CIA Intelligence Memorandum No. 59

In accordance with your request, ten copies of subject memorandum are forwarded herewith.

FOR THE DIRECTOR OF CENTRAL INTELLIGENCE:

THOMAS HABBITT  
Assistant Director  
Reports and Estimates

enclosures  
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